GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2000
ANSWERED ON:05.08.2005
PENALTY IMPOSED BY SEBI
Pathak Shri Brajesh

Will the Minister of FINANCE be pleased to state:

(a) whether the market regulator SEBI has decided to impose a heavy penalty on the companies which fail to appoint the stipulated number of independent directors by the end of the current year;

(b) if so, the details thereof; and

(c) the details of the companies which have appointed and have failed to appoint the stipulated number of independent directors in accordance with the norms of corporate proposal till date?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a) to (c) SEBI has directed all the stock exchanges to amend the Listing Agreement pertaining to corporate governance by replacing existing clause 49 with the revised clause 49 notified on October 29,2004. The revised clause 49, Inter-alia, provides for appointment of at least one-third of the Board of Directors as independent directors in case where the Chairman is nonexecutive director and at least half of the Board of Directors as independent directors in case where Chairman is an executive director. The last date of the compliance of the revised clause 49 of the Listing Agreement is 31.12.2005 and further necessary action could arise there after.